

13 May 2024

## Acquisition of MDE Group

- **SCEE to acquire MDE Group, a Sydney-based electrical and communications specialist, for an enterprise value of up to \$10.55m**
- **Strategic expansion of SCEE's east coast service offerings**
- **Strong operational synergies with Heyday, currently working for Heyday at Western Sydney International Airport**
- **Growing data centre project pipeline contains significant communications elements**
- **Forecasting EBIT contribution of at least \$5m for FY25 and beyond**

### Overview

Southern Cross Electrical Engineering Limited ("SCEE Group") is pleased to announce that it has executed a Share Purchase Agreement to acquire 100% of MDE Group Pty Ltd ("MDE") for an enterprise value of up to \$10.55m. Completion is expected to occur by the end of May 2024.

Founded in 2006 and based in Sydney, MDE provides communications, data, and electrical services for construction and fit out projects across a range of sectors including commercial building developments, data centres, and healthcare and transport infrastructure.

MDE are well known to SCEE Group having worked successfully with our Heyday business for several years on a variety of major projects, and are currently delivering the communications components of Heyday's projects at the Western Sydney International Airport.

MDE is forecast to deliver FY24 revenue of \$20m and a normalised EBIT of circa \$3m. In FY25 EBIT is forecast to grow to at least \$5m supported by the current order book and near-term data centre opportunities including at projects recently secured by SCEE Group.

The vendors, Paul Liversidge and Greg Upton, will continue to manage the business on long-term contracts post-acquisition with fixed terms lasting beyond the earn-out periods.

### Strategic Rationale

The acquisition of an east coast communications specialist aligns with SCEE Group's strategy to



broaden our geographic diversity through expanding our core competencies and adding adjacent and complementary capabilities.

Communication and data services form an integral part of the projects Heyday delivers across many of the sectors in which it operates. The acquisition of MDE will allow Heyday to offer an integrated approach to this work, retaining additional profit within the group, and derive operational synergies on jointly performed projects including the current and future works at Western Sydney International Airport. The additional capability also positions Heyday to offer clients a combined electrical, data and communications service and maintenance proposition on completion of its construction projects.

The data centre sector is showing exponential growth with cloud computing and AI developments. Across the group there is a pipeline of over \$500m of data centre works on which we are tendering on or positioning for over the next two years. Data centre fitouts include a significant communications element which the acquisition of MDE allows SCEE Group to self-perform.

While current forecasts assume MDE remains focused on the NSW market in the near-term, there is potential for further growth through expansion into other states. The opportunity to support other SCEE Group businesses in other states provides them a platform for this expansion and projects in the ACT are currently being evaluated.

The acquisition will also provide MDE with the balance sheet strength to better support their own pipeline of organic growth opportunities.

### **Transaction Terms**

SCEE will pay the vendors of MDE cash consideration of up to \$10.55m on an enterprise value and debt free basis. The detailed transaction terms are set out in the Appendix. Cash payments to the vendors will be funded through existing cash reserves and operating cash flows post-transaction.

### **Comment**

Commenting on the above, SCEE Group Managing Director Graeme Dunn said “I am delighted to announce the acquisition of MDE Group. We have worked closely with MDE for a number of years and have always been impressed by the high quality of their project delivery and their culture which strongly aligns with ours. They are a key partner for us at the Western Sydney International Airport where we anticipate further growth in coming years, and we welcome Paul and Greg and their staff to our group.

I should further note that, although we have announced this acquisition today and significant organic growth opportunities in recent times, we are still actively exploring a range of further acquisition targets offering increased geographic diversification and new capabilities.”

### **Authorised for release by Graeme Dunn – SCEE Group Managing Director**

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## Appendix - Acquisition Terms

<b>Acquisition</b>	<ul style="list-style-type: none"> <li>• Acquisition of 100% of shares of MDE Group Pty Ltd</li> <li>• Due diligence finalised satisfactorily</li> <li>• Completion expected to occur by the end of May 2024</li> </ul>
<b>Consideration</b>	<p>Up to a total of \$10.55m payable as follows:</p> <ol style="list-style-type: none"> <li><b>1. Deal Completion Initial Cash Consideration</b> <p>\$5.55m in cash at completion</p> </li> <li><b>2. Earn-out: Deferred Consideration</b> <ol style="list-style-type: none"> <li>a) \$1.0m in cash if MDE’s EBIT result for FY24 is equal to or greater than \$2.3m</li> <li>b) \$1.0m in cash if MDE’s EBIT result for FY25 is equal to or greater than \$2.6m</li> <li>c) \$1.0m in cash if MDE’s EBIT result for FY26 is equal to or greater than \$3.0m</li> </ol> <p>If the above respective EBIT targets are not achieved, the Deferred Consideration cash payment each year will reduce on a pro-rata basis in line with the actual EBIT achieved in that year, down to nil payment at a baseline EBIT level of \$1.5m.</p> </li> <li><b>3. Earn-out: Outperformance Consideration</b> <ol style="list-style-type: none"> <li>a) 25% of MDE’s EBIT result for FY25 in excess of \$2.6m, capped at \$1.0m in cash (ie an FY25 EBIT of \$6.6m will achieve the maximum FY25 Outperformance Consideration of \$1.0m)</li> <li>b) 25% of MDE’s EBIT result for FY26 in excess of \$3.0m, capped at \$1.0m in cash (ie an FY26 EBIT of \$7.0m will achieve the maximum FY26 Outperformance Consideration of \$1.0m)</li> </ol> </li> </ol>
<b>Ongoing Vendor Involvement</b>	<ul style="list-style-type: none"> <li>• Vendors will continue to manage the business on long-term employment contracts post-completion with terms fixed until at least 31 December 2026, beyond the final Earn-out period</li> </ul>